

MEMORANDUM

SUBJECT: National Program Guidance for FY 2005

FROM: Michael W. S. Ryan
Deputy Chief Financial Officer

TO: Regional Administrators
Deputy Regional Administrators
Assistant/Associate Administrators
Deputy Assistant/Associate Administrators

As a part of our efforts to improve EPA's planning, budgeting, and accountability and to align Agency, state, and tribal processes to strengthen our joint strategic planning, OCFO has prepared the attached guidance to assist National Program Managers in developing FY 2005 National Program Guidance.

As you may know, we shared two earlier staff drafts of this guidance with national program planning staff, the Regional Planning Network, and state representatives from the Environmental Council of the States (ECOS) and the EPA-ECOS Alignment and Performance Partnership Agreement Workgroup. We greatly appreciate the comments we received, and we have done our best to respond to concerns and incorporate suggestions and recommendations.

I hope that you and your staff find the attached guidance helpful as you prepare draft FY 2005 National Program Guidance for submission to OCFO by February 17, 2004. Should you have any questions about the guidance, please call David Ziegele at 202-564-9327.

I look forward to working with you as we continue to reform our processes for FY 2005 and consider opportunities for further improvement in the FY 2006 planning, budgeting, and accountability cycle.

Attachment

cc: Steve Johnson
Maryann Froehlich
David Ziegele
Kathy Sedlak O'Brien
David Bloom
Judy Kertcher
Senior Budget Officers
Planning Contacts

Implementing Improvements to Our Planning Processes: Developing National Program Guidance for FY 2005

The Office of the Chief Financial Officer (OCFO) has prepared the following guidance to help advance the reforms that EPA—in partnership with states and tribes—is making in its planning, budgeting, and accountability processes to achieve improved environmental results. While this guidance focuses on planning for the FY 2005 operating year, it also establishes a framework for setting priorities, developing implementation strategies, and determining performance commitments that will assist the Agency and its state and tribal partners in planning for FY 2006 and beyond.

EPA and its state and tribal partners regard the new FY 2005 processes outlined below, as well as improved approaches to Performance Partnership Agreements that will be addressed in subsequent guidance, as “pilot” efforts. We believe we can learn from these efforts and apply what we learn to improve subsequent planning cycles. Although EPA and state managers only recently made many of the agreements that provide the basis for this guidance, they felt strongly that getting started on the new approaches was more important than postponing implementation in an attempt to anticipate and avoid potential problems. While acknowledging that timing for this FY 2005 cycle will limit some potential benefits (such as providing early joint planning opportunities for all interested states and tribes to influence draft Regional Plans), EPA is hopeful that improved joint planning can still occur later in this cycle, and more profoundly in future years.

To provide a context for these guidelines, this document first briefly reviews the state-EPA efforts that have led the Agency to adopt these new approaches to planning and accountability. It then outlines four components of the FY 2005 planning process: Regional Plans (which were more fully discussed in Guidance issued in October 2003), National Program Guidance, the Annual Commitment System, and the FY 2005 Performance Priorities and Accountability Meeting.

Background

The impetus for streamlining and improving EPA’s planning, budgeting, and accountability processes stemmed from recommendations developed by the Agency’s Managing for Improved Results Steering Group in 2002 and the EPA-Environmental Council of the States (ECOS) Alignment and Performance Partnership Agreement Workgroup, initiated in May 2003. An overarching goal for both the Steering Group and the EPA-ECOS Workgroup was to align state and EPA planning processes to promote more meaningful and effective joint strategic planning; allow state, tribal, and regional priorities to figure more prominently in establishing national priorities; reduce transaction costs for states, tribes, and EPA; and increase communication and coordination to achieve desired environmental results. These objectives—particularly efforts to align EPA’s work with that of its state and tribal partners to achieve the results outlined in the Agency’s *Strategic Plan* and the *FY 2005 Annual Plan*—also

advance the President's Management Agenda.

In September, 2003, senior Agency leaders from national program and regional offices met to discuss recommendations from the EPA-ECOS Workgroup and additional ideas for streamlining headquarters' and regional processes for establishing performance commitments. Several broad objectives guided the discussion, as senior managers agreed on the need to:

- Focus on environmental results, strengthening links between activities and results;
- Engage states and tribes early in the planning process;
- Be transparent in setting priorities and attaining results; and
- Minimize transaction costs.

The agreements that Agency managers reached in September were reaffirmed during the EPA-ECOS Workgroup meeting held November 13 and 14, 2003. These agreements form the basis of the following guidelines for developing Regional Plans, National Program Guidance, and regional performance commitments.

Regional Plans

As noted above, OCFO issued revised guidance on developing Regional Plans in an October 21, 2003 memo from Linda Combs. Several days later, in his October 28, 2003 memo to Regional Administrators, Acting Deputy Administrator Steve Johnson reemphasized the importance of engaging states and tribes in developing Regional Plans, as these plans will inform the development of National Program Guidance and will provide the context for determining regions' annual commitments and negotiating Performance Partnership Agreements and Grants.

Note: While its October guidance did not include this requirement, OCFO is also asking each region to provide with its Regional Plan a 1- to 2-page executive summary that highlights key priorities and strategies. The summary will be a helpful reference for NPMs, State Commissioners, tribal officials, and other users.

Schedule

Regions are continuing to engage their states and tribes and work with national programs to develop the draft Regional Plans that are due to OCFO on January 15, 2004. Regions are discussing strategic priorities with states and tribes, and they are expected to raise any potentially conflicting or unique state priorities to NPMs when they submit their Regional Plans or as soon as possible thereafter to inform development of National Program Guidance.

As soon as the draft Regional Plans are submitted, OCFO will post them on EPA's Internet site to make them available across the Agency and to states and tribes for review. Final Regional Plans will be due to OCFO on April 1, 2004 and posted on the Agency's Internet site as soon as possible.

National Program Guidance

As senior managers agreed in September and confirmed with the EPA-ECOS Workgroup in November, EPA will develop and issue guidance for its five national programs on the same schedule. EPA, states, and tribes agree that National Program Guidance should be timed to (1) mesh as efficiently as possible with state, tribal, and regional planning processes and (2) allow senior regional, state, and tribal managers to consider proposed priorities, strategies, and performance measures for all five programs at once, in a complete package.

To accomplish this end, NPMs will submit FY 2005 National Program Guidance in draft by February 17, 2004 and in final by April 1, 2004. The National Program Guidance is to cover a 3-year period, presenting the multi-year strategies that will be employed to achieve the Objectives described in EPA's *Strategic Plan*. (Note: National Program Guidance, like Regional Plans, may be updated annually to reflect new program developments or requirements. While next year's guidance, for example, should not require a wholesale revision, some changes might be necessary to ensure that it remains current and relevant. OCFO envisions that NPMs will annually review their program guidance and, in an open process similar to that used to develop the FY 2005 guidance, make adjustments as necessary to extend the guidance another year.)

Addressing Regional Plans

Senior Agency managers have agreed that National Program Guidance should allow the flexibility to accommodate regional differences. To this end, NPMs will be expected to carefully review the draft Regional Plans that OCFO will disseminate in mid-January, consider any additional information that regions may offer on state or tribal priorities, and use what they learn to help develop National Program Guidance. Where Regional Plans present regional priorities or unique strategies that are consistent with national priorities, National Program Guidance should enable their implementation. While certain national priorities are established and presented in the FY 2005 budget, NPMs have the opportunity to use what they glean from Regional Plans to adapt approaches, adjust resources, and refine commitments for inclusion in their draft guidance. For example, National Program Guidance might offer an innovative or particularly effective implementation strategy described in one region's plan for possible replication in other regions. Most important, however, to the utility of the National Program Guidance and ultimately to the regions' success in negotiating Performance Partnerships Agreements and Grants and meeting their annual commitments is providing flexibility for regions that present sound, strategic rationales in their Regional Plans for addressing unique regional/state/geographic priorities or carrying out region-specific initiatives and implementation strategies.

The proposed FY 2005 Performance Priorities and Accountability Meeting (see discussion below) will provide an opportunity for NPMs to discuss what they have learned from Regional Plans and how it has been incorporated in the National Program Guidance.

Coordinating National Guidance

One of the Agency's primary objectives in revising its approach to National Program Guidance is to organize and coordinate draft and final guidance documents in one package to make them easier for EPA, states, and tribes to use.

To support this goal, individual programs should develop a comprehensive, complete guidance package that obviates the need to issue additional, supplemental documents. Barring new or unexpected developments (such as a new Congressional direction), final National Program Guidance to be issued in early April should provide or reference all pertinent guidance, including grant guidance, that regions and states will need for FY 2005. (Existing technical guidance documents accessed through an NPM's web site, for example, may be provided in a list of references.) If such exceptions do occur and it is necessary to provide new or supplemental guidance before FY 2005 begins, NPMs should coordinate development and release of the guidance with other program offices and with regions. Again, in the interest of streamlining the guidance and allowing regions, states, and tribes to use it more easily and efficiently, senior managers are committed to avoid issuing multiple guidance documents.

In addition, to make the National Program Guidance more readable and accessible to Regional Administrators, State Commissioners, tribal officials, and other users, OCFO is asking NPMs to submit a 1- to 2-page executive summary with their draft and final guidance that highlights key priorities and strategies.

Framing Expectations for Regional Commitments

Senior managers agreed in September that given (1) Regional Plans presenting regional strategies and (2) National Program Guidance identifying critical annual reporting measures, EPA can do away with its existing Memorandum of Agreement (MOA) process. In place of the MOA system, the Agency is implementing a new approach, designed to ensure that NPMs, regions, states, and tribes have opportunities from the outset to participate jointly in identifying performance goals and measures, setting targets, and determining regional commitments, many of which are ultimately reflected in Performance Partnership Agreements. This approach, vetted with states through the EPA-ECOS Alignment and Performance Partnership Agreement Workgroup, is intended to provide transparency and promote collaboration and partnership. It allows for discussion and negotiation of FY 2005 targets and commitments through August 2004. (Note: For this discussion, OCFO distinguishes between "targets"—expectations of what might be accomplished in a program or in later negotiations with states—and "commitments"—negotiated final numbers that provide the basis for evaluation and accountability.

This consultative approach is based on a number of activities, some of which will overlap:

- NPMs prepare draft National Program Guidance (February 17, 2004)
- Regions, states, and tribes review draft guidance and discuss concerns with NPMs (February 17 - March 17, 2004)
- Based on discussions with regions, NPMs prepare final National Program Guidance. Guidance includes final measures and, in some cases, may include initial straw targets (April 1, 2004)
- Regions work with states, tribes, and NPMs to develop draft annual regional targets; regions enter draft targets in the online commitment system (April 1 - July 1, 2004)
- NPMs review draft regional targets to ensure that national targets are met or adjusted; NPMs and regions negotiate final regional targets (by July 1). Concurrently, regions work with states and tribes to complete grant commitment process (PPAs, PPGs, and Categorical Grants) (July 1 - September 1, 2004)
- Regions enter final commitments in online commitment system (September 1, 2004)

Using Draft National Program Guidance

NPMs will use their draft National Program Guidance as a mechanism to (1) identify the areas for which they will expect regions to make annual performance commitments, report progress, or provide data needed to support national data systems and (2) gather regional, state, and tribal input on these areas.

For this mechanism to work as openly and efficiently as possible, NPMs will need to include in their draft guidance any relevant information or supporting rationale that would be helpful to regional, state, or tribal reviewers. For example, in cases where NPMs need to offer a national target, they should include it in their draft guidance, explain why it is important (for instance, because it addresses a statutory requirement or represents a commitment made in the Annual Plan and Budget), and invite comment. NPMs and regions should also keep in mind the work being conducted under the Agency's Indicators Initiative that will result in improved state and tribal data collecting and sharing systems. National Program Guidance should be able to accommodate new environmental and human health indicators and performance measures that evolve from improved information. In general, however, NPMs should refrain from imposing any more reporting requirements on regions and states than are necessary to demonstrate national program accountability, communicate results, and enable program planning and management.

To simplify presentation of this performance information in the draft guidance, NPMs are asked to include an annual commitment table. (See the attached sample table.) The table

identifies program areas for which NPMs will need regional reporting—whether the data will be used to support performance measures that set national targets or indicators that allow programs to track progress. As outlined below, regions, in consultation with partners and NPMs, will determine their annual commitments over the coming months to contribute to achieving national targets. Agency staff are currently developing an online annual commitment system (discussed below), aiming to enable regions to enter data into the online system in early summer.

Developing Annual Regional Commitments

Once the draft National Program Guidance is released in mid-February, regions, states, and tribes will be able to review it with an eye toward the specific outputs, activities, and results expected of them. They will have the opportunity to discuss the commitment framework among themselves and with NPMs to develop initial national targets. The final National Program Guidance issued in April will include these initial national targets; however, discussion and negotiation can continue through the summer.

Following release of the final National Program Guidance, regions will continue discussions with their states and tribes to determine draft regional targets. Regions will be asked to enter their draft targets into the online system by July 1. NPMs can then review draft regional targets to ensure that all regional targets together “roll up” to result cumulatively in appropriate annual national targets. NPMs and regions will have approximately 2 months (July 1 through September 1) to resolve any issues and finalize annual regional targets. During this same time, regions will be engaging in negotiations with states and tribes to complete the grant process (PPAs, PPGs, and Categorical Grants), including translating regional targets into formal commitments supported by state-by-state agreements. All commitments should be final by September 1, 2004; all grants should be final by October 1, 2004.

The long lead time before annual targets and commitments are finalized helps to provide regions, states, and tribes maximum flexibility in determining their commitments. Ultimately, NPMs and regions will share responsibility for identifying and resolving any conflicts over program priorities that present implications for the annual regional commitments. Issues that have not been resolved will be elevated to the Deputy Administrator for decision.

OCFO is aware that some programs, notably the Office of Water, have already begun to implement a process for developing annual national and regional targets ahead of the process described above. For example, as the next step in an EPA-state-tribal consultative process that has been in place for over a year, OW has asked regions to provide “straw” regional targets with the draft Regional Plans they will submit in mid-January. OW will be using these initial regional targets as a basis for developing draft national targets that will be provided in the commitment tables included in OW’s February draft National Program Guidance. OW intends to solicit comment on these initial targets and revise them for inclusion in its final National Program Guidance, to be issued April 1. However, in keeping with the Agency’s commitment to provide sufficient opportunity for regions, states, and tribes to discuss performance measures in the context of all five programs, OW targets and commitments—like those of all other

programs—will not be final until September 1. Working through the EPA-ECOS Alignment Workgroup, the Agency will have an opportunity to evaluate OW's timing for straw regional targets to see if this approach should be adopted across all programs for the FY 2006 planning cycle.

Schedule for National Program Guidance

Draft National Program Guidance, including the 1- to 2-page executive summary highlighting key aspects of the guidance, is due to OCFO on February 17, 2004. OCFO will compile the five draft guidance packages for distribution and posting on EPA's Internet site by February 20, 2004. ECOS and other state associations will have the opportunity to provide feedback to NPMs up to March 17, 2004.

The draft National Program Guidance will serve as the focal point for discussion at the proposed FY 2005 Performance Priorities and Accountability meeting. (See discussion below.) Following the meeting, national program offices and regions would have several weeks to resolve any remaining issues before NPMs submit final National Program Guidance to OCFO by April 1, 2004. OCFO will issue the compiled final National Program Guidance by April 7, 2004, upon receipt of all program submissions.

Annual Commitment System

As noted in the discussion of commitments included under the National Program Guidance, OCFO is coordinating development of an online system that regions and national programs will use to agree on annual performance commitments consistent with the Agency's *Strategic Plan* and Regional Plans. (Note that while National Program Guidance will cover 3 years, the commitments entered into the online system are 1-year commitments.) The system will enable regional managers to view annual regional commitments across all five programs. It is important to note, however, that this online system provides a "numbers only" process; Regional Plans will provide the strategic basis for numbers that regions enter into the online system. This online commitment system, supplemented by the rationale provided by Regional Plans, will replace the MOA process for FY 2005. Agreed-upon annual performance commitments will be appended to final Regional Plans and posted on the Internet in October 2004.

FY 2005 Performance Priorities and Accountability

OCFO will ensure that regions and NPMs have opportunities to discuss key national priorities and implementation strategies for FY 2005 and to address potential planning and accountability issues. We are exploring options for facilitating these discussions, including a proposed FY 2005 Performance Priorities and Accountability Meeting for Regional Administrators, Deputy Regional Administrators, Assistant Administrators, Deputy Assistant Administrators, representatives from the Administrator's Office, and, potentially, representatives from ECOS and the Tribal Caucus. Whether at a meeting of senior managers or in another venue, the primary objectives of the discussion will be to identify areas where state, regional, or national priorities or strategic approaches differ or diverge and to raise other issues that will require resolution to finalize Regional Plans and National Program Guidance by April 1, 2004. These discussions would also provide an opportunity for EPA, states, and tribes to begin thinking about and identifying priority areas to be explored more fully in planning for FY 2006.

For this purpose, we have tentatively scheduled a 1-day "placeholder" meeting for March 9, 2004. This timing would ensure that participants have had an opportunity to review draft Regional Plans and National Program Guidance and could consider them together and in the context of the Agency's *Strategic Plan*. We anticipate that the day's discussion would center on the draft National Program Guidance: how it addresses EPA's strategic objectives and reflects regional priorities and implementation strategies as presented in draft Regional Plans.

Like last year's Performance Priorities Meeting, an FY 2005 Performance Priorities and Accountability Meeting would be conducted as a plenary session. OCFO would distribute a detailed final agenda in advance of the meeting. However, we would expect to ask NPMs to open each program discussion by summarizing the highlights of their draft National Program Guidance, emphasizing what they learned from reviewing draft Regional Plans and explaining how it has been reflected in the guidance.

Following the NPM's presentation, the lead region, on behalf of all regions, would be asked to present critical issues or concerns. The bulk of the meeting would be devoted to an open discussion of issues or concerns. Participants would also have an opportunity to share experiences and lessons learned in implementing various regional projects and initiatives and in advancing collaborative efforts. Additional sessions to review progress made by the EPA-State Alignment Workgroup in coordinating state and EPA planning efforts might be included in the agenda.

In any case, NPM and regional staff would not need to prepare any additional new materials for these discussions. Participants will focus on the draft Regional Plans (to be distributed mid-January) and draft National Program Guidance (to be distributed mid-February). Lead Regions could be asked to coordinate with other regions to provide an overview or examples of regional strategies. Examples may be approaches that are common to several regions or tailored, innovative strategies designed to address unique environmental problems or concerns. OCFO will provide additional information on these discussions and on the proposed priorities meeting as plans develop.

For More Information

Please direct questions on this guidance or on components of the FY 2005 planning and accountability process to the follow OCFO staff:

General information	Tanya Mottley (202-566-0818)
National Program Guidance	Debbie Rutherford (202-564-1913)
Regional Plans	Alex Wolfe (202-564-7581)
Online Commitment System	Tanya Mottley (202-566-0818)
Outreach and communications with partners and stakeholders	Wendy Lubbe (202-564-3827)

Timetable for FY 2005 Planning and Accountability Process

What	Who	When
Draft Regional Plans (Sections I-V) due to OCFO	Regions	January 15, 2004
NPMs draft National Program Guidance, carefully considering Regional Plans	NPMs/Regions	Late January - early February
Draft National Program Guidance due to OCFO (Draft guidance includes annual commitment tables/framework.)	NPMs	February 17, 2004
Draft National Program Guidance is distributed and posted on the Internet	OCFO	February 20, 2004
FY 2005 Performance Priorities and Accountability Meeting (Opportunity for RA and NPM discussion of NPM guidance in light of Regional Plans)	NPMs, Regions, OCFO, possibly States and Tribes	March 9, 2004 (Tentative)
Regions, states, and tribes provide comments on draft National Program Guidance	Regions, States, Tribes	March 17, 2004
Final Regional Plans (Sections I-V) due to OCFO	Regions	April 1, 2004
Final NPM Guidance due to OCFO. May include initial national targets that reflect on-going discussions between NPMs, regions, and states.	NPMs	April 1, 2004
Final NPM Guidance is distributed and posted on the Internet	OCFO	April 7, 2004
FY 2006 Annual Planning Meeting	EPA/States/Tribes	May 18, 2004
Iterative development of Performance Partnership Agreements	Regions/States	April - October, 2004
Draft annual regional targets	Regions	July 1, 2004
Final annual regional commitments	Regions	September 1, 2004
Final annual regional commitments available on the Web	OCFO	September 15, 2004

DRAFT NPM'S TABLE OF MEASURES FOR REGIONAL COMMITMENTS: FY 2005 OPERATING YEAR

Note: This is just a sample format for NPMs to use in their draft guidance.

Goal	Obj	Code	Measure	Base-line (optional)	Unit of Measure	FY 05 Draft National Target (optional)	Comment
2	1	17	Separately for each class of well, the percentage of Classes I, II, III, and V wells identified in violation that are addressed by the UIC program.		Wells		
2	2	52	Percentage of the TMDLs required for waters currently on the 303(d) list that are established or approved by EPA within 13 years of listing consistent with national policy. Annual targets will be based on state schedules or straight-line rates that ensure that the national policy is met.		TMDLs		